Hap Seng Plantations (HAPL MK)

1Q26: A Soft Start; Anticipate Stronger Quarters Ahead

	BUY (Maintained)
Share Price	RM2.18
Target Price	RM2.47
Upside	13.1%
Previous TP	RM2.65

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Highlights

- HAPL's 1Q26 core net profit fell to RM32m (-44% qoq, -10% yoy), dragged by weaker realised CPO prices despite resilient production and sales volume.
- Earnings are expected to improve significantly in the coming quarters, driven by firmer CPO prices. However, the recent production trend could suggest a moderating output growth in 2Q26.
- We cut 2026-27 earnings forecasts by 7% after lowering our FFB growth assumptions. Maintain BUY with a revised target price of RM2.47 (previous TP: RM2.65).

1Q26 Results

Year to 31 Dec (RMm)	1Q26	4Q25	1Q25	qoq%	yoy%
Revenue	192.4	197.3	179.4	(2.5)	7.3
EBITDA	65.8	90.1	65.0	(27.0)	1.1
EBIT	43.3	68.0	43.4	(36.3)	(0.1)
Net profit	10.0	30.3	22.5	(67.1)	(55.7
Core net profit	32.0	57.9	35.4	(44.7)	(9.6)
Margins					
EBITDA	34.2	45.7	36.3	(25.1)	(5.7)
Core net profit	16.6	29.3	19.7	(43.3)	(15.7)

Source: Hap Seng Plantations, UOB Kay Hian

Analysis

- **Below expectations**. Hap Seng Plantations' (HAPL) 1Q26 core net profit came in at RM32.0m (-44% qoq, -9.6% yoy), accounting for 16%/19% of our/consensus full-year forecasts respectively. While we expect earnings to improve sequentially in the coming quarters, we deem the results as below our expectations but broadly in line with consensus estimates, mainly due to weaker-than-expected margins likely arising from higher unit production costs during the quarter. Meanwhile, headline net profit was hit by a one-off RM29.0m fair value loss on biological assets following a revision to the group's key valuation assumptions for its biological assets.

Key Financials

Year to 31 Dec (RM m)	2024	2025	2026F	2027F	2028F
Net turnover	752.4	702.4	841.7	866.2	872.6
EBITDA	492.9	252.2	339.7	343.4	346.1
Operating profit	407.8	165.4	252.7	257.3	260.9
Net profit (rep./act.)	204.6	124.9	196.7	200.4	203.1
Net profit (adj.)	204.6	151.7	196.7	200.4	203.1
EPS	42.7	15.6	24.6	25.1	25.4
PE (x)	4.8	13.1	8.3	8.2	8.1
P/B (x)	0.8	0.8	0.7	0.7	0.6
EV/EBITDA (x)	2.5	4.7	2.8	2.3	1.8
Dividend yield (%)	6.1	3.8	5.5	5.6	5.8
Net margin (%)	27.1	17.8	23.4	23.1	23.3
Net debt/(cash) to equity(%)	(30)	(34)	(42)	(45)	(48)
Interest cover (x)	0.0	0.0	1.0	2.0	0.0
ROE (%)	16.8	6.1	9.2	9.0	8.7
Consensus net profit	-	-	168.0	170.0	174.0
UOBKH/Consensus (x)	-	-	1.2	1.2	1.2

Source: Hap Seng Plantations, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	HAPL MK
Shares issued (m):	799.7
Market cap (RM$m):	1,740
Market cap (US$m):	44.2
3-mth avg daily t'over (US$m):	0.1

Price Performance (%)

52-week high/low				RM2.41/RM1.74
1mth	3mth	6mth	1yr	YTD
(2.2)	0.0	0.9	17.2	0.5

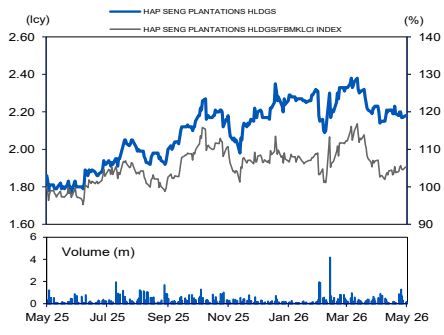
Major Shareholders %

Hap Seng Consolidated	69.5

Balance Sheet Metrics %

FY26 NAV/Share (RM)	2.65
FY26 Net Debt/Share (RM)	(1.20)

Price Chart



Source: Bloomberg

Company Description

Pure upstream plantation company with a total landbank of 40,279 ha.

- **Softer CPO price offsets production recovery.** 1Q26 revenue rose 7% yoy to RM192.4m, driven by a 23% increase in CPO sales volume. However, core net profit declined 9% yoy as margin was weighed by lower average realised CPO prices of RM4,248 per tonne (-12%) and potentially higher production cost. On a qoq basis, revenue slipped 2.5% due to lower palm kernel sales volume (-13%) and softer realised CPO prices (-2.5%). Core earnings declined sharply by 43% qoq as net margin narrowed to 16% (vs 29% in 4Q25), largely attributable to higher unit production costs during the seasonally lower crop cycle.
- **Strong operational performance**. HAPL delivered strong 1Q26 operational growth, with FFB and CPO production rising 16% and 19% yoy respectively, driven by sustained momentum from the peak harvest season in 4Q25 and supported by improved weather condition in Sabah. That said, we expect production growth to normalise in 2Q26, as HAPL recorded a flattish yoy FFB output in Apr 26, bringing ytd production growth to 11% yoy (vs management's full-year target of 16.5% yoy). As such, we revise down our 2026 FFB growth assumption from 12% to 10%.
- **Outlook.** In the results commentary, HAPL expects limited impact from cost pressure as the group has secured its fertiliser requirement for the remainder of the year. Management had previously guided for unit cost production to ease to RM2,300 per tonne (vs RM2,477 per tonne in 2025) given the anticipated stronger production for this year. We continue to expect a significant improvement in earnings in the subsequent quarters, driven by firmer CPO prices on top of stronger mom production heading into the peak harvesting cycle, which should meaningfully offset the increase in cost of production.

Operational Statistics

	1Q26	4Q25	1Q25
FFB (tonne)	152,996	186,597	132,239
CPO sales volume (tonne)	37,576	41,518	28,382
PK sales volume (tonne)	8,678	8,836	6,362
CPO Price (RM/tonne)	4,248	4,353	4,866
PK Price (RM/tonne)	3,437	3,483	3,741

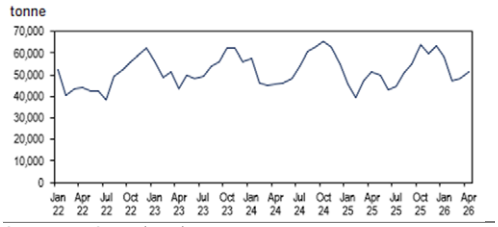
Source: Hap Seng Plantations

Key Assumptions

FFB production growth	10% yoy
CPO prices	RM4,500/tonne

Source: UOB Kay Hian

Monthly FFB Production Trend



Source: Hap Seng Plantations

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM2.47 (previously RM2.65),** based on 10x PE (-0.5SD to five-year average mean) of our revised 2026 EPS. HAPL is one of our picks to ride on the bullish CPO prices movement due to its strong upstream profitability, while the stock also offers an attractive yield of 5.5% and a net cash position.

Earnings Revision/Risk

- **We trim our 2026/27 earnings forecasts by 7%/7% respectively,** as we impute lower FFB growth assumptions of 10%/3% yoy for 2026/27 (previously: 12%/3% for 2026/27).

Share Price Catalyst

- Better-than-expected CPO prices.
- Higher-than-expected production growth.

Environmental, Social and Governance (ESG)

Environmental

- All internal estates are Malaysia Sustainable Palm Oil, Roundtable Sustainable Palm Oil and International Sustainability & Carbon certified.
- 0.4% of the FFB purchased from their 11 third-party (independent local outgrowers and smallholders) suppliers are RSPO or MSPO certified.

Social

- HAPL covers all costs for obtaining legal work permits in Malaysia with the exception of passports, which workers must obtain themselves.

Governance

- Transparent governance along with an Anti-Bribery and Anti- Corruption Policy.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	702	842	866	873
EBITDA	252	340	343	346
Deprec. & amort.	87	87	86	85
EBIT	165	253	257	261
Associate contributions	0	0	0	0
Net interest income/(expense)	(3)	(3)	(3)	(3)
Pre-tax profit	162	249	254	258
Tax	(37)	(54)	(55)	(56)
Minorities	0	1	1	1
Net profit	125	197	200	203
Net profit (adj.)	152	197	200	203

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	1,722	1,708	1,694	1,695
Other LT assets	0	0	1	2
Cash/ST investment	117	281	429	593
Other current assets	757	731	757	765
Total assets	2,596	2,719	2,880	3,055
ST debt	0	0	0	0
Other current liabilities	68	89	89	90
LT debt	0	0	0	0
Other LT liabilities	425	425	425	425
Shareholders' equity	2,103	2,205	2,366	2,539
Minority interest	0	0	0	0
Total liabilities & equity	2,596	2,719	2,880	3,055

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	274	254	306	310
Pre-tax profit	159	247	251	255
Tax	(37)	(54)	(55)	(56)
Deprec. & amort.	87	87	86	85
Working capital changes	51	(53)	(4)	(1)
Other operating cashflows	14	28	27	27
Investing	(26)	(49)	(49)	(49)
Capex (maintenance)	(67)	(67)	(67)	(67)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(62)	(99)	(101)	(102)
Dividend payments	(62)	(99)	(101)	(102)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	186	107	156	160
Beginning cash & cash equivalent	117	302	409	566
Changes due to forex impact	1	2	2	2
Ending cash & cash equivalent	302	409	566	725

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.5	19.1	17.8	17.4
Pre-tax margin	16.9	12.5	11.4	10.9
Net margin	12.0	8.7	8.0	7.6
ROA	8.3	7.1	6.6	6.0
ROE	13.8	11.9	11.0	10.2
Growth				
Turnover	59.7	91.0	91.1	1.9
EBITDA	59.4	70.0	57.8	(2.4)
Pre-tax profit	77.3	56.8	42.7	(3.7)
Net profit	111.2	83.1	68.8	(4.5)
Net profit (adj.)	27.6	11.3	(7.8)	(4.5)
EPS	183.3	215.4	190.6	(4.5)
Leverage				
Debt to total capital	25.2	24.0	23.1	27.8
Debt to equity	25.7	24.6	23.7	28.6
Net debt/(cash) to equity	22.6	1.9	(6.5)	(4.9)
Interest cover	71.2	73.4	72.6	179.6

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